



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC APPROVES SETTLEMENT AGREEMENT WITH NOS COMMUNICATIONS AND AFFINITY NETWORK FOR DECEPTIVE MARKETING PRACTICES

SAN FRANCISCO, June 9, 2004 – The California Public Utilities Commission (PUC) today approved with modifications a settlement agreement between Commission staff and NOS Communications, Inc. and Affinity Network, Inc., after a PUC investigation into deceptive marketing and slamming and cramming practices by the companies.

Under the settlement agreement, NOS and Affinity will make payments to the Commission over a 24-month period totaling \$2,950,000. Of this sum, \$2.9 million will be deposited into the State's General Fund, and \$50,000 will be set aside for customer restitution. Each of about 1,400 customers will receive a restitution payment of \$25, and \$7,825 of the \$50,000 will be used to compensate the settlement claims administrator, Rosenthal & Company LLC, which CPSD, NOS, and Affinity have agreed will handle the actual notification of customers and payment of restitution.

The Commission opened an investigation into NOS and Affinity after receiving numerous consumer complaints regarding the companies. After its investigation, the Commission's Consumer Protection and Safety Division (CPSD) alleged that the companies had engaged in deceptive marketing, slamming, and cramming, all of which constitute violations of the Public Utilities Code. The investigation generally alleged that NOS and Affinity engaged in this unlawful conduct by soliciting new customers, primarily small- and medium-sized businesses, by telemarketing. Telemarketers represented that telephone service would be charged on a per-minute usage basis. However, customers were subsequently charged according to a 'Total Call Unit' (TCU) pricing methodology that consisted of usage and non-usage charges and was not based on cents-per-minute

usage. Determining the TCU charges required a conversion calculation that few, if any, customers could understand.

The settlement agreement also requires that for a two-year period NOS and Affinity will abide by the “Call Unit Marketing and Sales Compliance Program” that is an integral part of the settlement and consent decree that NOS and Affinity entered into with the Federal Communications Commission in December 2002.

For more information on the PUC, please visit www.cpuc.ca.gov.

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